



## SECTION 5

# Agency Administrative and Staffing Costs

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## 5.1 Administrative cost standards

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### **Only limited types of administrative and staff costs can be funded in the capital budget**

Capital construction funds, whether funded with bond proceeds or revenues deriving from fees or other cash, are dedicated to the acquisition, construction, and renovation of capital assets. These funds should not be used to subsidize operating budget costs, which include maintenance activities and most kinds of agency administrative and staff costs.

Allowable agency staff costs must be specific to the capital project and directly relate to the execution of the project. For example, staff costs for consultant selection, in-agency design and project inspections are directly related to the execution of the capital project and are allowable costs.

Staff costs not eligible for inclusion in a capital project should be included in the agency's operating budget. The following guidelines will help clarify appropriate budgeting of administrative and staff expenses for the completion of capital projects.

### **Guidelines on how to treat administration costs that will benefit more than one project**

Agency staff frequently perform contract administration tasks (such as processing agreements and contracts, change orders, managing a bid process, and verifying bills for payment) in the execution of a capital project. Common agency accounting practices for these costs involves either:

- (1) charging each project directly for costs incurred,
- or
- (2) assessing a project administration fee across agency capital projects and using the pooled funds to pay agency overhead costs.

Project administration fees may not exceed 3 percent of the total new appropriated project cost on projects of \$1 million and less, regardless of whether these fees are charged as a percentage or charged directly to a project (except as limited by statute or fund).

For projects in excess of \$1 million, the project administration fee will be based on the A/E Basic Service fee, minus 3 percent and multiplied by the total project cost. You can access the A/E fee schedule at <http://www.ofm.wa.gov/budget/instructions/capital.asp>. This rate is intended to be a ceiling, not a target. Thus, agencies must evaluate their project administration requirements for each project when requesting these fees.

**Administrative and staff costs that may be direct-charged to a capital project**

Certain kinds of capital project management costs are appropriate for funding in the capital budget, such as:

- Additional project-specific tasks that may be required due to specific project requirements or agency practice. Tasks include:
  - project design (when performed by agency professional staff in lieu of consultants)
  - land use applications
  - environmental impact statements and other environmental assessments
  - hazardous material assessments and other special design studies, not routinely required for all projects
  - enhanced construction phase administration for complex projects
  - and building code plan review services (when not otherwise performed by local jurisdictions).
- Project-specific tasks associated with reproduction and distribution of construction documents for bidding are routinely performed by the design consultant or agency staff.

***Agency design and professional staff***

Some agencies employ professional staff for planning, environmental permitting, and design services. These staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of those staff costs should be charged to the operating budget. The cost for agency staff should be estimated and incorporated into the total cost of the individual capital project and not as a separately identified staff cost. Agencies must identify these staff, their anticipated FTE and supporting expenditures on their Capital FTE Summary form.

***Certain agency trades staff costs***

Agency trades staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of trades staff costs should be charged to the operating budget.

**Administrative and staff costs that may be charged to a capital projects as part of a project management fee assigned to all projects**

The following administrative and staff costs may be included in the project management fees and in the capital budget. (Please note the restrictions above on the limitations for project management fees that may be assigned.)

- Non project-specific tasks associated with general support of project management operations, including staff management, staff support, general accounting, statutory accounting and management of public information related to an agency's capital program. Tasks in this sub-category are generally performed by agency professional and technical staff.
- Routine project management tasks, associated with consultant selection, contract negotiation, and day-to-day administration of consultant agreements and public works contracts for individual capital projects. Tasks in this category are generally performed by agency professional staff. For agencies under 43.19.450, these services are generally provided by the Department of General Administration Engineering and Architectural Services (E&AS).
- Project-specific tasks associated with:
  - identification of project agency base bid and alternates
  - determination of bid date and time
  - opening and evaluation of bids
  - resolution of bidding irregularities

These tasks are routinely performed by agency management or professional staff. For agencies under 43.19.450, these services are provided in large measure by the Department of General Administration Engineering and Architectural Services (E&AS). Coordinate with E&AS to ensure that its services are properly accounted for in the budget.

- Routine project-specific tasks performed by agency staff associated with administration of construction contracts, coordination of agency reviews of construction submittals, monitoring of project schedules, and monitoring of consultant and contractor performance. For agencies under 43.19.450, these services are provided by the Department of General Administration Engineering and Architectural Services (E&AS).

**Administrative and staff costs that may NOT be included in the capital budget**

The following administrative and staff costs may not be included in the project management fee or in the capital budget.

- Ordinary maintenance as well as costs associated with routine janitorial activities and day-to-day upkeep normally are ongoing expenses funded in the operating budget and **not** charged to capital appropriations.
- Agency administrative costs related to capital budget development, capital facility management, long-range budget planning and policy initiatives. These items should be included in the operating budget, since they exist regardless of the particular composition of agency projects proposed each biennium.
- Non project-specific tasks associated with regulation and policy development, contract(s) development, interagency initiatives, legislative oversight, etc. Tasks in this category are generally performed, or directly supervised, by executive level agency staff.
- Non project-specific tasks associated with overall general comprehensive planning for facilities and infrastructure, identification and prioritization of capital projects, and preparation of agency capital requests. Tasks in this subcategory are generally performed, or directly supervised, by executive or program management level agency staff.
- Provision of emergency services (to the extent provided by an agency) and infrastructure management (utilities).

## 5.2 Capital FTE summary

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**Agencies must submit a Capital FTE Summary**



FTE figures, historically requested during the allotment process, will be required during budget submittal. A narrative describing the role of the FTEs in the capital budget and the reasons for any changes in the level of FTEs requested should be provided in a separate document accompanying your Capital FTE Summary.

In addition to identifying FTEs, it is necessary to identify the fund sources supporting the FTEs and level of anticipated expenditures.

The Capital FTE Summary report is available for entry, print and electronic transmission of data to OFM from the BASS Capital Budgeting System (CBS). See the CBS tutorial for more information.